

The Devil's in the Data: How the Energy Crisis Could Reshape Ireland's Economy

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For decades, Ireland has reaped the rewards of being a corporation tax haven. During this time, it attracted numerous multinationals to its shores, including many global technology actors. Since the crash of 2008, however, there is growing scepticism of whether the benefits of playing host to these corporations outweigh the negatives. The expansion of data centres in Ireland has been a flashpoint for these debates, exacerbated by a Europe-wide energy crisis, raising crucial questions around who has priority and access to the country's resources.

Ireland has long-established policies of creating conditions to attract foreign direct investment (FDI) and offering tax breaks for large multinationals to locate there. As a result, Ireland now hosts the European headquarters for technology multinationals such as Meta (formerly Facebook), Google, Twitter, Apple, Dell, and Intel. It also hosts several medical and pharmaceutical manufacturers including Pfizer, Johnson & Johnson, Sanofi, GlaxoSmithKline, and others. Multinationals and their subsidiaries in Ireland employ nearly a quarter of the workforce and generate half of Ireland's income taxes. But there is growing opposition to their presence and its distortional impacts on Ireland. While this opposition previously centred around tax issues and political lobbying, the energy crisis currently unfolding across Europe and the wider world has also raised questions about the disproportionate consumption by multinationals of resources such as energy, land, and water. The proliferation of data centres across Ireland has made these debates all the more pressing and concrete.

From bust to boom and back again

Until the mid-20th century, Ireland was a harsh place to live for most people. From the 1960s, Ireland began to institute several reforms in areas such as housing, healthcare, and education, which led to rapid improvements in the quality of life across society. These reforms, coupled with the creation of the Industrial Development Agency, attracted more FDI and Ireland's accession to the European Economic Community, in 1973, led to growing hope. Unfortunately, this was interrupted by the 1970s oil crises, the Troubles in the north of Ireland, corruption, and poor economic management by the government.

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In the late 1980s, government policy focused on cutting taxes and public spending and providing incentives to multinationals to set up in Ireland. Slowly but surely, this led to increased investment in the country by multinationals and associated industrial manufacturing. In a few years, Ireland went from being in a serious recession to a booming economy, with one of the lowest national debts within the EU. The Irish economy rapidly shifted from being largely agricultural to knowledge-based, specialising in the technological, pharmaceutical, and financial sectors. However, much of this growth was generated by and controlled by multinationals rather than Irish firms or households.

The surge in economic growth in the early 1990s was as much due to global circumstances as Irish economic policy. Nonetheless, by the mid-2000s Ireland had reached one of the highest points in its economic history – this was “The Boom”, “The Celtic Tiger” or simply “The Good Times”. It was not to last, however. The 2008 economic crash had a profound effect on the Irish population which can still be felt. Overleveraged banks ran out of money, the government massively increased the national debt to bail them out and eventually the Troika[1] of international financial institutions were invited in to take control of the situation. Thousands lost their homes and many emigrated in search of work. It led to a growing understanding of how dependent Ireland was upon multinationals for jobs and tax income. Despite many controversies, investigations and court cases, most of the Irish top bankers and civil servants who presided over the crisis were never formally penalised. Since then, there has been a simmering discontent amongst many Irish people who believe the interests of multinationals have taken precedence over the needs of citizens.

Public opinion shifts amid an energy crisis

Against the backdrop of Europe’s supply crisis, energy demand has emerged as a new front in Ireland’s struggle with the distorting impacts of multinationals. Globally, our internet consumption has been increasing exponentially. As the internet got smarter it led to a growing need to collect more data for websites to improve their functionality but also for companies to better adapt their marketing and advertising towards consumers (and to harvest and sell data to other companies). Every single piece of information, cat videos included, sent or stored via the internet must pass through data centres. This growth was further accelerated by the onset of Covid-19 and the ensuing lockdowns which forced many of us to move much of our lives online.

With many tech multinationals, pro-business government policies and a stable, temperate climate, Ireland is a particularly hospitable environment for data centres. Recently released statistics showed that data centres accounted for 14 per cent of total electricity consumption in 2021, a 32 per cent increase from 2020. By comparison, rural homes accounted for 12 per cent. A 2021 report estimated that “data centre electricity usage is expected to double over the next five years.” In June 2021, it was reported that there were 30 data centres at various stages of development with 70 already operational. The Irish Academy of Engineering predicts that data centre development will add at least 1.5 million tonnes to Ireland’s carbon emissions by 2030, a 13 per cent increase on current electricity sector emissions at present.

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The expansion of data centres has acute effects in an energy squeeze. Reports in September 2021 stated that “families face paying €400 more for their electricity and heating in the coming winter” and warnings of potential rolling blackouts. This immediately sparked a widespread backlash against data centres and tech multinationals for their growing consumption of resources which puts greater pressure on the wider consumer market. This was quickly followed by political debates around pausing data centre development and access to the power grid, etc. This situation has only worsened due to the cost of living crisis which is causing huge increases in energy bills while generating huge profits for energy companies.

Recently, Apple came under fire for its plans to build an 850-million-euro data centre facility in Galway. Despite earlier court cases, the Supreme Court ruled that a 5-year extension on the original planning permission awarded by local government authorities in 2016 was legitimate and development could go ahead. Residents, with the support of environmental consultancy Eco Advocacy, took a court case against local government authorities to the High Court. The case alleged that the extension did not consider national and EU laws regarding environmental assessments and therefore the decision should be revoked. The plaintiffs specifically state how the national position regarding energy availability has radically altered since the 2016 decision was made and carbon emissions targets had radically altered since then. The High Court subsequently quashed the planning permission extension and ruled that the data centre development could not be built.

Energy consumption and emissions are the primary concern around these data centres, but the issues of water consumption, local environmental impacts, data security, and GDPR are also causes of concern. Data centres currently operating in Ireland can use anywhere between “500,000 and 5 million litres of water a day”, roughly the same amount as large Irish towns or some smaller cities. With heat waves becoming more common, data centres are likely to require much larger volumes of water during the summers, to ensure cool temperatures remain consistent.

The search for solutions undermined by a reliance on multinationals

For decades, pro-business policies have underpinned Ireland’s economic models and governance structure. Control of government largely alternated between the Fine Gael and Fianna Fail political parties, both of which are ideologically centre-right with few policy differences between them (Fianna Fail could perhaps be considered slightly more socially conservative and populist). For the first time in history, the two parties are currently governing together in a coalition with the Irish Green Party. Fine Gael has generally been viewed as the more fiscally prudent of the pair whilst Fianna Fail is more likely to spend on social programmes like housing and education. However, both parties are reluctant to talk about changes to Ireland’s economic policy landscape and tax system, for fear of upsetting multinationals.

Multinationals are now responsible for such a high portion of employment, and the associated corporation and income taxes, that they exert a chilling effect on Irish economic policy. Many in Ireland have resigned themselves to this situation, as for example, the Irish Data Protection Commission lobbied against stronger regulations targeting social media companies' use of users' data. The "revolving door" between political figures and lobbyists is well known in Ireland. In the aftermath of the crash and the arrival of the Troika in Ireland, there was a real push toward greater accountability which resulted in the creation of the Regulation of Lobbying Act 2015. While internationally applauded at the time as a positive step, the regulator itself has very little authority to enforce penalties.

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This lack of political will has important implications for attempts to tackle the issues surrounding energy, resource use, and multinationals. Many attempted solutions have been floated from fixes such as reusing hot water from data centre cooling systems to an outright ban on further development. But it has generally only been the smaller opposition parties giving serious consideration to these issues, while the two larger government partners have shown little interest in tackling them, with responses often being dependent on the level of public pressure or media coverage.

Since the beginning of the Russian invasion of Ukraine, there has been a lot more focus on issues such as energy security and fragile supply chains. Many people welcomed the announcement by Eirgrid, Ireland's grid operator, that it would not be accepting any new data centre connections in the Dublin area until at least 2028. However, this didn't last long as Amazon were permitted to build two new data centres in north Dublin despite unified opposition from the local council and environmental groups. In July, Taoiseach (Prime Minister) Micheál Martin even stated, "There will be no moratorium on the construction of new data centres despite their drain on the energy grid".

Growing ideological splits in government

The positions of their government partners and recent debates have put the Irish Green Party in a tricky position. As a minor coalition partner in government alongside two larger centre-right parties, the Green Party is often accused of hypocrisy for voting in favour of policies which they would have opposed in opposition. Green Party leader and Minister for the Environment, Climate, Communications and Transport Eamon Ryan described data centres as "a hook for future investment and enable remote working, cutting transport carbon emissions as is so clearly evident over the past 18 months" despite large-scale opposition from previously close allies like environmental and local interest groups.

As a result, blame is increasingly being laid at the feet of the Green Party for issues around energy security and resource consumption, despite the current issues stemming from decades of pro-business, centre-right government policies. The Green Party has also been a target of anger due to the recent increasing cost of living, particularly energy prices. While the Green Party has succeeded in introducing greater environmental and social policies,

government action remains inadequate to deal with the scale of the current problems Ireland faces. Despite enacting Ireland's most ambitious climate action plan to date, this is likely to be overshadowed as Eamon Ryan might soon have to establish as many as 7 new gas-fired power stations to transition away from dirtier peat-fired power stations while maintaining Ireland's electrical generation capacity.

Although in an energy crisis, the government must do all it can to help those in precarious situations, it must also be careful not to undermine future climate action through reactive decisions, such as a universal 200-euro credit to winter electricity bills and reducing the VAT rate on energy. Cutting excise duty on petrol and diesel does give back to consumers but it comes at the cost of more proactive steps that could change energy use habits. However, there are increasing calls, from opposition parties but also Fine Gael and Fianna Fail backbenches, to delay or quash future increases to the carbon tax. This would be a disastrous move since the money raised from carbon taxes is specifically ring-fenced for targeted climate adaptation measures such as funding public schemes for home insulation and energy retrofitting. Proposals for rebates or targeted payments would be a more effective means to protect households without reducing taxes on fossil fuels.

As part of the agreement to go into government, a cabinet reshuffle will take place in December 2022. However, as cracks appear between coalition partners, particularly exacerbated by differing approaches to dealing with the increasing cost of living and energy crisis, it is likely to conflict between government partners will only continue to grow as they move into the second half of their mandate. As the smallest coalition partner and holders of the environment, climate, communications, and transport portfolios, the Greens will need to work hard to maintain a coherent position and communicate it to the public. What is clear is that the current energy crisis is prompting fundamental questions about the future of Ireland's economic model. While the social and economic impacts have been part of the debate for at least a decade, today the disproportionate presence of multinationals is increasingly taking on an environmental dimension too. The Greens should make sure to use their power in the remaining life of this government to ensure proper climate adaptation measures are introduced before we pass the point of no return.

[1] Refers to the decision group formed by the European Commission, the European Central Bank, and the International Monetary Fund (IMF) brought to Cyprus, Greece, Ireland, and Portugal to manage the national "bailouts" which were a result of the financial crisis of 2007-2008.



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